Registered number: 03351717

Alterian Technology Limited

Annual Report and Financial Statements

31 December 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

Registered No. 03351717

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS
Chris Coker
Dominic Lavelle
Alterian Holdings Ltd

AUDITOR
KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

BANKERS
HSBC
62 George White Street
Cabot Circus
Bristol BS1 3BA

SOLICITORS
DLA Piper UK LLP
3 Noble Street
London
EC2V 7GG

REGISTERED OFFICE
New Globe House
Vanwall Business Park
Vanwall Road
Maidenhead
Berkshire
SL6 4UB

STRATEGIC REPORT

REVIEW OF THE BUSINESS

The company is a wholly owned subsidiary of Alterian Holdings Limited, which is part of the SDL Plc group.

Following an operating review which completed in January 2017, the Company's Campaign Management operations were put up for sale. The Campaign business was disposed of on 2 November 2016 to Alterian Holdings LLC. On 2 May 2017, SDL Plc sold its Social Intelligence business to Social Data Intelligence LLC.T. This resulted in a loss on disposal of £10.6m. The Company's continuing operations relate to sales of Web Content Management products and the provision of administrative services to the wider SDL group.

Revenues in the year fell £3.4 million as a result of the sale of the entity's core business in November 2016, the sale of the Social Intelligence business in May 2017 and reduced activity in the remaining business. The directors consider the key performance indicator of the company to be maintenance of the controllable operating costs. These were appropriately controlled in both continuing and discontinued operations during the year. As a consequence, operating losses rose from £88,000 to £853,000.

The company made a loss on disposal of the Company's Social Intelligence activities amounting to £10,600,470

BUSINESS RISKS

Following the disposal of the company's core business, there is less risk for the Company. The Company continues to sell web content technology and is therefore exposed to the risk of its products becoming uncompetitive. The Company has ceased development of its own product in prior years and these revenues are hence in run off. The Company is reimbursed for activities by SDL PLC on a cost plus basis and will therefore remain profitable going forward.

The Company remains dependent on support from its parent companies to continue in operational existence. The company has received a letter of support for the period of 12 months from the date of signature of these accounts.

By order of the Board

Chris Coker
Director
26 September 2018

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2017.

RESULTS AND DIVIDENDS

The loss for the year was £11.2m (2016: Profit £0.7m) as shown on page 8. The balance sheet on page 9 shows net liabilities of £8.6m (2016: net assets £2.7m). Cash and cash equivalents are £0.2m (2016: £0.3m).

The company has not paid nor accrued any dividends for the period (2016: £nil).

EVENTS SINCE THE BALANCE SHEET DATE

There have been no significant events since the balance sheet date.

PRINCIPAL ACTIVITIES

The principal activity of the company was the design and development of software tools for marketing and customer insight for sale under licence through third party business partner organisations or directly to end users.

Following the disposal of the company's core business in November 2016, the company sells web content technology and provides administration and other general back office support to the wider SDL Plc group.

GOING CONCERN

The company's ultimate group parent company, SDL Plc, has committed to provide the necessary level of financial support to the company to enable it to pay its debts as they become due for a period of not less than twelve months from the signing of the report and financial statements of Alterian Technology Limited for the year ended 31 December 2017.

DIRECTORS AND THEIR INTERESTS

The current members of the Board are set out on page 1.

The directors who held office during the year and up to the date of this report were as follows:

Alterian Holdings Limited
Dominic Lavelle
Nadya Bentley (resigned 12 May 2017)
Chris Coker (appointed 29 May 2018)

None of the directors who held office at the end of the year had any interest in the shares of the company. SDL plc indirectly owns 100% of the share capital of the company. The interests in long-term incentive plan shares of SDL plc of directors who held office at the end of the financial year were:

Interests in Retention Share Plan

	Exercisable	**At 31 December 2017 Number**	**At 31 December 2016 Number**
Chris Coker	27/04/2016-27/04/2020	-	13,173

	Exercisable	**At 31 December 2017 Number**	**At 31 December 2016 Number**
Nadya Bentley	17/05/2017-17/04/2024	-	9,895
	08/06/2019-08/06/2026	-	14,320

Dominic Lavelle	07/04/2017-07/04/2024	-	83,958
	17/04/2018–17/04/2025	62,957	62,957
	08/06/2019-08/06/2026	92,482	92,482
Chris Coker	07/04/2017-07/04/2024	-	10,195
	08/06/2019-08/06/2026	15,036	15,036
	18/04/2020-18/04/2027	11,190	-

Directors' interests in SDL Share Option Scheme of SDL Plc were:

	Exercisable	2017 No.	2017 Exercise Price	2016 No.	2016 Exercise Price
Nadya Bentley	17/04/2018-17/04/2025	-	-	10,000	444.75p
Chris Coker	17/04/2018-17/04/2025	10,000	444.75p	10,000	444.75p

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware.

Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Chris Coker
Director
26 September 2018

Company registration number: 03351717

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTERIAN TECHNOLOGY LIMITED

Opinion

We have audited the financial statements of Alterian Technology Limited ("the company") for the year ended 31 December 2017 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTERIAN TECHNOLOGY LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

S. Richardson

Simon Richardson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

26 September 2018

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 Continuing £000	2017 Dis-continued £000	Total £000	2016 Continuing £000	2016 Dis-continued £000	Total £000
TURNOVER	2	690	22	712	1,055	3,095	4,150
Cost of Sales		(367)	48	(319)	(865)	(392)	(1,257)
GROSS PROFIT		323	70	393	190	2,703	2,893
Administrative expenses		(1,151)	(95)	(1,246)	(240)	(2,741)	(2,981)
OPERATING LOSS		(828)	(25)	(853)	(50)	(38)	(88)
(Loss)/Gain on disposal		-	(10,600)	(10,600)	-	659	659
Interest income		58	-	58	187	-	187
(LOSS)/PROFIT BEFORE TAXATION		(770)	(10,625)	(11,395)	137	621	758
Tax on profit / (loss)	6	197	-	197	(82)	-	(82)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(573)	(10,625)	(11,198)	55	621	676
Other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME		(573)	(10,625)	(11,198)	55	621	676

The notes on pages 11 to 24 form an integral part of these financial statements

BALANCE SHEET
at 31 December 2017

	Notes	2017 £000	2016 £000
FIXED ASSETS			
Tangible fixed assets	7	6	-
TOTAL FIXED ASSETS		6	-
CURRENT ASSETS			
Debtors	9	10,184	21,643
Cash at bank and in hand		236	276
		10,420	21,919
CREDITORS:			
Amounts fallings due within one year	10	(19,067)	(19,264)
NET CURRENT (LIABILITIES) / ASSETS		(8,647)	2,655
TOTAL ASSETS LESS CURRENT LIABILITIES		(8,647)	2,655
NET(LIABILITIES) / ASSETS		(8,641)	2,655
CAPITAL AND RESERVES			
Called up share capital	12	21,910	21,910
Share premium account		280	280
Profit and loss account		(30,831)	(19,535)
TOTAL SHAREHOLDERS' FUNDS		(8,641)	2,655

The notes on pages 11 to 24 form an integral part of these financial statements

Approved by the board of directors on 26 September 2018.

Chris Coker
Director

Company registration number: 03351717

STATEMENT OF CHANGES IN EQUITY
at 31 December 2017

	Called up share capital	Share premium account	Profit & loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2016	21,910	280	(20,282)	1,908
Total comprehensive income for the year	-	-	676	676
Share based payments	-	-	71	71
Balance at 31 December 2016	21,910	280	(19,535)	2,655
Balance at 1 January 2017	21,910	280	(19,535)	2,655
Total comprehensive loss for the year	-	-	(11,198)	(11,198)
Share based payments	-	-	(98)	(98)
Balance at 31 December 2017	21,910	280	(30,831)	(8,641)

The notes on pages 11 to 24 form an integral part of these financial statements

1. ACCOUNTING POLICIES

Alterian Technology Ltd is a company incorporated, domiciled and registered in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The Company's ultimate parent undertaking, SDL Plc, includes the Company in its consolidated financial statements. The consolidated financial statements of SDL Plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from the Company Secretary's office, New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB.

As the consolidated financial statements of SDL Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of investments;
- The disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgments made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are as follows:

<u>Turnover recognition</u>
Management reviews the terms of all license contracts to ensure that the appropriate fair values are determined and that there are no future vendor obligations that would affect the license turnover recognized.

1. ACCOUNTING POLICIES (continued)

Going concern

The company had net liabilities of £8,641,000 at 31 December 2017 and is dependent on its ultimate group parent company, SDL Plc for ongoing financial support. SDL Plc has undertaken to provide the necessary level of financial support to the company to enable it to pay its debts as they become due and not to demand repayment of the intercompany amounts payable for a period of not less than twelve months from the signing of the report and financial statements of Alterian Technology Limited for the year ended 31 December 2017.

Turnover recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be measured reliably. The following specific recognition criteria must also be met before turnover is recognised:

<u>Software licences</u>
Turnover on software licenses and upgrades is recognised on despatch, when there are no significant vendor obligations remaining and the collection of the resulting receivable is considered probable. In circumstances where a considerable future vendor obligation exists as part of a software licence and related services contract, turnover is recognised over the period that the obligation exists per the contract. The majority of software licenses included future vendor obligations and turnover is recognised over the period that the obligation exists per the contract, usually 12 months.

For multiple element arrangements turnover is allocated to each element on fair value regardless of any separate prices stated within the contract. The portion of the turnover allocated to an element is recognised when the turnover recognition criteria for that element have been met.

<u>Managed services</u>
Managed services (hosting) fees are recognised over the term of the hosting contract on a straight line basis.

<u>Support and maintenance contracts</u>
Support and maintenance contracts are invoiced in advance and normally run for periods of 12 months with automatic renewal on the anniversary date. Turnover in respect of support and maintenance contracts is recognised evenly over the term commencing from the date of the contract period.

<u>Professional services</u>
Professional services and consulting turnover, which is provided on a 'time and expense' basis, is recognised as the service is performed.

Foreign currency translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the profit and loss account.

1. ACCOUNTING POLICIES (continued)

Taxation

The tax charge represents the net sum of tax received and receivable and deferred tax movements. The taxable loss differs from the net loss as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets will be reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Tangible fixed assets

Tangible fixed assets are held at cost less accumulated depreciation and any impairment in value.

Depreciation is charged on a straight line basis as follows:

- computer and office equipment are depreciated over 2 to 3 years according to the estimated life of the asset; and
- fixtures and fittings are depreciated over 4 to 7 years according to the estimated life of the asset.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if those assets are separable and their fair value can be measured reliably. Intangible assets acquired separately from the acquisition of a business are capitalised at cost.

Computer software

Computer software licences and other intellectual property assets acquired are held at cost and are amortised on a straight line basis over their estimated useful lives of 2 to 6 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

1. ACCOUNTING POLICIES (continued)

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured and technical feasibility and commercial viability can be demonstrated.

Impairment of tangible and intangible assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Financial instruments

Short-term trade and other debtors and trade and other creditors are treated as financial assets or liabilities.

Trade and other debtors

Trade and other debtors are recognised initially at fair value and are provided for where management consider an element of the balance to be irrecoverable.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

1. ACCOUNTING POLICIES (continued)

Available for sale investments

Available for sale investments are, if fair value cannot be reliably measured, included in the company balance sheet at cost less any provision for impairment.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand and deposits held at call with banks.

Employee benefits

Pension obligations

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The company has no legal or constructive obligations to pay further contributions to the fund. The cost of providing these benefits, recognised in the profit and loss account, comprises the amount of contributions payable to the schemes in respect of the year.

In addition to the scheme some UK employees receive an enhancement to salary of between 5% and 10% of gross pay in lieu of company contributions.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Leases

Operating leases

Leases in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. Lease incentives received are recognized in the profit and loss account as an integral part of the total lease expense.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

1. ACCOUNTING POLICIES (continued)

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds, are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Share based payments

Employees (including directors) of the company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Equity-settled transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by transition date.

Discontinued operations

Planned disposal of separate major lines of business are classified as discontinued operations and net assets reclassified as held for sale following the announcement of such divestments. In such instances the comparative results are reclassified to present continuing and discontinued results.

The board of the ultimate parent company SDL Plc, announced its decision to sell its Non-Core Business, which represents a separate major line of business, in January 2016. The sale of the Group Campaign business was completed in November 2016 and the sale of the Social Intelligence business was completed in May 2017.

Results of the Non-Core Business segments have been disclosed as discontinued operations in this year's financial statements and prior periods have been restated to show the results of discontinued operations separately from continuing operations.

2. TURNOVER

Turnover represents the amount invoiced excluding value added tax, derived from the sales and renewals of software licenses to third party customers, except in respect of long-term contracts where turnover represents the value of work carried out during the year, including amounts not invoiced and excluding amounts invoiced in advance. Turnover by geographical destination was as follows:

	2017	*2016*
	£000	*£000*
United Kingdom	699	3,611
Rest of the World	13	539
	712	4,150

An analysis of the company's turnover is as follows:

	2017	*2016*
	£000	*£000*
Software support and maintenance	703	3,845
Consultancy and Services	9	305
	712	4,150

3. OPERATING LOSS

This is stated after charging / (crediting)

	2017	*2016*
	£000	*£000*
Depreciation of owned assets	-	110
Amortisation IPR and other software licences	-	42
Operating lease for land and buildings	58	76
Research and development costs expensed	248	2,753
Net foreign exchange (gains)	(267)	(223)

4. AUDITOR'S REMUNERATION

	2017	*2016*
	£000	*£000*
Audit of the financial statements	13	44

5. STAFF COSTS

Staff costs were as follows:

	2017	*2016*
	£000	*£000*
Wages and salaries	1,603	5,765
Social security costs	204	739
Other pension costs	148	272
Share based payment (benefit) / charge	-	(113)
	1,955	6,663

The company operates a personal pension scheme for qualifying employees. The pension cost charge for the period represents contributions payable to the scheme and amounted to £147,641 (2016: £271,905).

The average monthly number of employees during the period was made up as follows:

	2017	*2016*
	Number	*Number*
Product development and testing	3	30
Sales and distribution	12	15
Administration	15	46
	30	91

Directors' emoluments

The directors of the company are also directors or employees of SDL plc. The directors' services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they received any remuneration for their incidental services to the company for the years ended 31 December 2017 and 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

6. TAXATION

(a) Tax on profit/ (loss)

	2017	*2016*
	£000	*£000*
Current taxation:		
UK Corporation Tax at 19.25% (2016: 20%) on the loss for the year	(114)	-
Total Current Tax	(114)	-
Deferred taxation:		
Originating and reversal of timing differences	(423)	78
Adjustments in respect of prior periods	-	4
Effect of tax rate change on opening balance	340	-
	(83)	82
Total taxation	(197)	82

(b) Factors affecting tax charge:

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017	*2016*
	£000	*£000*
(Loss)/Profit before tax	(11,395)	758
Tax on profit/(loss) at standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(2,193)	152
Effect of:		
Expenses not deductible for tax purposes	1	3
Permanent difference relating to disposal of Social Intelligence	2,171	-
Capital allowances in excess of depreciation	(51)	(73)
Tax effect of current year short-term timing differences not recognised	(414)	-
Utilisation of tax losses and other deductions	(52)	-
Effect of tax rate charge on opening balance	341	-
Group relief surrendered / (claimed)	114	-
Payment / (receipt) for group relief	(114)	-
Tax (credit)/charge for the period	(197)	82

6. TAXATION (CONTINUED)

Factors affecting future tax charges:

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December has been calculated based on these rates.

7. TANGIBLE FIXED ASSETS

	Fixtures & Fittings	*Total*
	£000	£000
Cost		
At 1 January 2017	-	-
Additions	6	6
At 31 December 2017	6	6
Depreciation		
At 1 January 2017	-	-
Charged in the year	-	-
At 31 December 2017	-	-
Net book value		
At 31 December 2017	6	6
At 31 December 2016	-	-

8. DEBTORS

	2017	*2016*
	£000	*£000*
Trade debtors	**-**	80
Prepayments	**13**	15
Accrued Income	**2**	1
Amounts due from group undertakings	**10,068**	21,388
Other debtors	**-**	141
Deferred taxation	**101**	18
	10,184	21,643

9. CREDITORS: amounts falling due within one year

	2017	*2016*
	£000	*£000*
Trade creditors	8	15
Amounts owed to group undertakings	18,615	18,510
Other taxes and social security costs	44	132
Deferred revenue	143	363
Accruals	248	225
Other creditors	9	19
	19,067	19,264

Outstanding amounts in respect of the defined contribution scheme payable at the balance sheet date were £9,403 (2016: £13,057). All amounts owed to group undertakings are interest free, unsecured and repayable on demand.

10. DEFERRED TAXATION

The amounts provided and not provided for deferred taxation are set out below:

	Provided 2017	***Unprovided 2017***	*Provided 2016*	*Unprovided 2016*
	£000	**£000**	£000	£000
Accelerated capital allowances	85	-	12	-
Other short term timing differences	17	-	7	-
	102	-	19	-

The movement on the deferred tax asset for the year was as follows:

	2017	*2016*
	£000	*£000*
At 1 January	19	101
Recognised in the year	**83**	(82)
At 31 December	**102**	19

As at 31 December 2017 the company had unrecognised tax losses carried forward of £33,117,840 (2016: £33,117,840).

No deferred tax is recognised in relation to these losses as the company does not have sufficient evidence to support an expectation that taxable profits will be generated in the foreseeable future.

11. SHARE CAPITAL

Allotted, called up and fully paid	**No**	**£000**
Ordinary Shares of £0.01 each	21,010,073	210
6% Redeemable Preference Shares of £1 each	21,700,001	21,700
		21,910

The preference shares carry a non-cumulative dividend of 6% per annum on par value and are redeemable only at the company's option. Dividends on these preference shares are payable at the company's discretion.

12. OPERATING LEASES

Non-cancellable operating leases are payable as follows:

	Land & Buildings	*Land & Buildings*
	2017	*2016*
	£000	£000
Less than one year	68	-
Between one and five years	273	-
More than 5 years	275	-
	616	-

The company leased its former business premises under an operating lease arrangement. New premises were taken on in 2017.

During the year, £0.1m was recognised as an expense in the profit and loss account in respect of operating leases (2016: £0.1m).

13. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Alterian Holdings Ltd. The ultimate controlling party is SDL Plc.

The largest group in which the results of the Company are consolidated is that headed by SDL Plc, incorporated in England, registered at New Globe House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB. The consolidated financial statements of the group are available to the public and may be obtained from New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, SL6 4UB.

14. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings at 31 December 2017 are shown below. The subsidiary undertakings are wholly owned and prepare accounts to 31 December.

Subsidiary	Registered address	Activity	Country of incorporation, registration and operation	Portion of ordinary shares and voting rights held
Alterian (Poole) Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	Holding Company	England & Wales	100%
Alterian (Newbury) Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	Holding Company	England & Wales	100%
Alterian Minorities Ltd	New Globe House, Vanwall Business Park, Vanwall Road, Maidenhead, SL6 4UB	Holding Company	England & Wales	100%
SDL Technologies India Private Limited	Building 4 , Block A, 7th Floor, 77 Town Centre Yemalur Main Road, Off Old Airport Road, Bangalore 560 037	Technology	India	100%

15. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events since the balance sheet date.